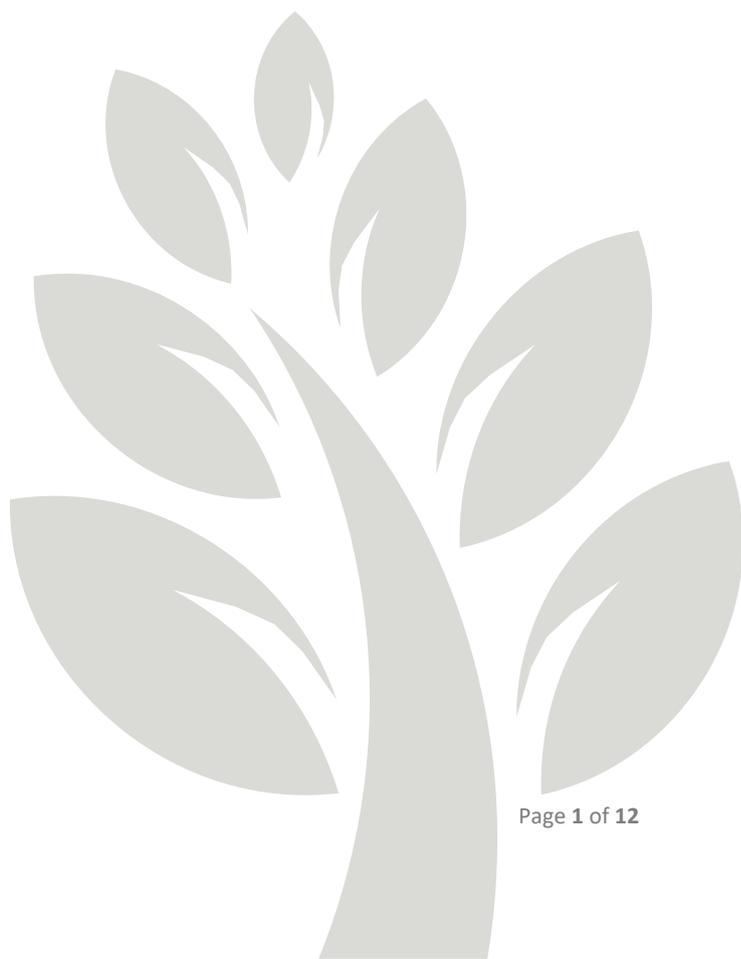




The Scottish Friendly Governance Advisory Arrangement (The GAA)

Statement for the Year ending 31 December 2020

**Prepared in accordance with the Financial Conduct Authority's Conduct of
Business Rules (COBS 19.5)**



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1 Introduction

- 1.1. This is the third annual statement by the GAA since its establishment on 14 December 2018 as the Governance Advisory Arrangement for workplace pensions now offered by the Scottish Friendly Assurance Society (the “Firm”) (previously the Mobius Life GAA and Canada Life GAA). The current composition of the GAA is the independent chair, Andrew Firbank, and two further members independent of Scottish Friendly, Charles Goddard and Raymonde Nathan; all members of PAN Trustees UK LLP. To emphasize, the Chair is independent of the Firm, as are the 2 further members, in compliance with the Financial Conduct Authority’s (FCA) Code of Business Rules (known as COBS 19.5).
- 1.2. In addition, there are two representatives from the Firm, being Ian Neilson and Kevin McNally. It is important to highlight that the Firm’s representatives have a regulatory duty to act solely in the interests of the relevant scheme members and that they must put aside the commercial interests of the Firm when discharging their GAA duties.
- 1.3. Having given the matter due consideration, the Firm has decided that a GAA is appropriate to oversee its workplace pension arrangement, as opposed to establishing an Investment Governance Committee (IGC), given that the arrangements are not considered large nor complex and do not offer what are known as “pathway” investments.
- 1.4. It is also important to restate that the GAA has a duty to protect the interests of members of workplace pension schemes operated by the Firm and to:
 - act solely in the interests of the members;
 - operate independently from the Firm, in accordance with the GAA’s Terms of Reference;
 - assess and, where necessary, challenge the Firm on whether these workplace pensions provide value for money for members.
- 1.5. A copy of the GAA’s Terms of Reference is attached as **Appendix A**. If you have any queries about this report or the Terms of Reference please contact Andrew Firbank, Chair of the GAA at PAN Trustees UK LLP, The Annex, Oathall House, Oathall Road, Haywards Heath, RH16 3EN.
- 1.6. The GAA’s Terms of Reference is reviewed at each GAA meeting and updated at a minimum of once a year. The GAA reviews the Terms of Reference and COBS 19.5 and its updates on a regular basis to ensure all GAA members have a good understanding of their requirements and to ensure they are working within the agreed parameters.
- 1.7. The GAA has incorporated the Canada Life portfolio into its work and governance processes and so, in this report, we report on all the workplace pension arrangements offered by the Firm as one entity. Where a full review of a specific element has not been able to be completed due to incomplete information being available, this has been identified and the challenge to the Firm noted accordingly. It is worth highlighting that some elements of the information required by the GAA have been impacted by the Covid-19 pandemic given the Firm has had an understandable focus on delivering to customers as a priority. This focus on customers has been supported by the GAA and is reflected in the challenges document (see **Appendix D**).

- 1.8. The GAA has considered its response when the reply from the Firm to one of its challenges is not deemed adequate. At the current time, the approach being adopted by the GAA in challenging the Firm is one of pragmatism, which we believe is working effectively, backed by a formal policy (see **Appendix E**), and is a reasonable approach given the Covid-19 pandemic.
- 1.9. The GAA has given careful thought to recent comments from the FCA in terms of the balance between readability and detail of these annual reports. Considering the drive to shorter annual statements, the GAA has decided the broad structure of the report is fit for purpose, but the detail suggested as desirable by the FCA has been added as appendices for policyholders and other stakeholders to access further information as they see fit.
- 1.10. The workplace pensions covered by this report are provided under the following personal pension and stakeholder arrangements:
- The Investment Solutions Group Personal Pension Plan (the ISGPP)
 - The Investment Solutions Stakeholder Pension Plan (the ISSPP)
 - The ex-Canada Life Workplace Pension
 - The Scottish Friendly Staff Pension Scheme

2 Scottish Friendly workplace pension arrangements

a) Summary and Value for Money

- 2.1. The GAA held 12 meetings during the 2020 calendar year, due to concerns around the impact of the Covid-19 pandemic, including 5 governance review meetings with the external firm (Aegon) that provides the member administration services to the ISGPP and the ISSPP. All GAA meetings were attended by all members of the GAA. A minimum of 4 GAA members attended administration meetings with Aegon.
- 2.2. Governance review meetings were held with Aegon in Peterborough prior to the first National lock-down due to Covid-19, and thereafter all meetings took place “virtually” by video conference. We are pleased to be able to report that although there was a dip in service standards in respect of services provided by both the Firm and Aegon due to the Covid situation in the middle months of the review year, the situation was rectified and service standards have now reverted to normal levels. Average attainment of agreed service standards, month by month, are set out below.

AEGON Service Levels (applying to the ISGPP and ISSPP)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Member Contact	Service Level												
	Attainment %	63.7	59.0	46.8	N/A	50.0	52.5	60.6	64.0	43.0	41.0	51.0	64.0
Administration service	Service Level												
	Attainment %	99.0	93.0	95.0	90.2	90.0	95.0	92.0	66.0	91.7	85.7	93.5	91.0

SCOTTISH FRIENDLY Service levels (applying to The ex-Canada Life Workplace Pension and the Scottish Friendly Staff Pension Scheme)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Member Contact	Service Level												
	Attainment %	80.00%	80.00%	57.00%	27.00%	14.50%	7.00%	3.00%	8.40%	65.00%	88.00%	87.00%	92.00%
Administration service	Service Level												
	Attainment %	89.6	79.7	73.0	76.1	73.2	56.1	46.4	63.8	79.1	89.8	91.7	93.3

The service levels being assessed, and their targets, are considered by the GAA as reasonable. It should be noted that not all targets are the same; for example Aegon’s member contact service level target is 60%, whereas their administration service target is [90%].

Please also note, the “N/A” in respect of April for Aegon member contact centre services followed the decision to close the Aegon Contact Centre at the height of the Covid-19 pandemic.

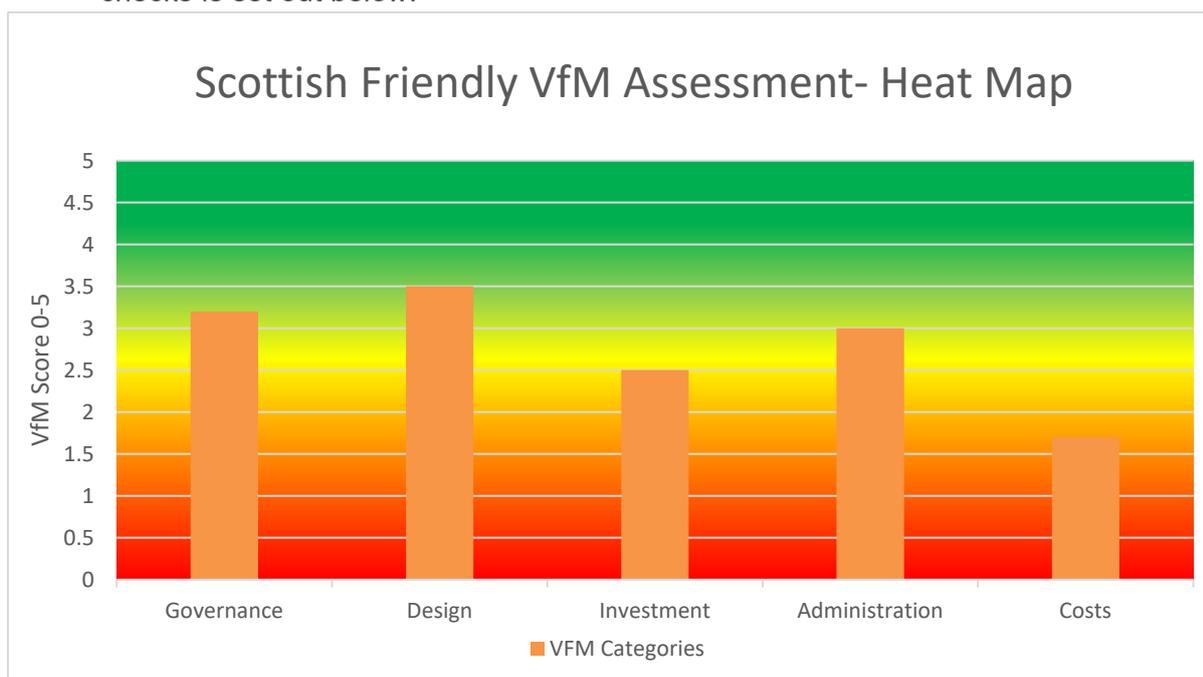
Whilst month by month figures are shown, the GAA also assesses aggregate performance over the year and average service level attainment. This was running at 55.7% and 88.4% for Aegon’s member contact centre and administration service respectively, and 53.0% and 76.3% for the Scottish Friendly’s member contact and administration service respectively.

- 2.3. As reported in previous Annual Statements, the Firm does not make any ongoing commission payments to any advisers and there are no exit charges on any of these pension arrangements.
- 2.4. The GAA has previously set out its framework and methodology for assessing Value for Money (VfM). The approach adopted recognises the subjective nature of the concept

and that no single definition can be applied in all circumstances. The framework identified focusses on Quality; Risk; Relevance (including member engagement); and Cost. This has now been updated and the new framework is included as **Appendix B** with the Value for Money Assessment included as **Appendix C**.

- 2.5. During the year Aegon carried out a satisfaction survey of the membership by phone which showed that members were satisfied with the service. However the sample was not regarded by the Firm of the GAA to be of a sufficient size to draw conclusions. The Firm will therefore revisit this in 2022 and carry out its own survey post the pandemic.
- 2.6. The VfM assessment by the GAA has used a process of ratings for each of the VfM components with the aim of establishing an appropriate level of objectivity. The GAA has taken onboard Financial Conduct Authority feedback from their review on ‘The effectiveness of Independent Governance Committees and Governance Advisory Arrangements’ in arriving at its conclusion on VfM. Other aspects such as security of assets, policyholder protection, provider sustainability and investment process were also taken into account in the assessment. With increasing focus on Environmental, Social Responsibility and Governance (ESG) matters, future years’ assessments, including the current year, 2021, will include greater analysis in this area.
- 2.7. The significance of the absence of entry and exit costs remains important in the analysis of costs, as was the upper limit of a 1.0% Annual Management Charge (AMC) imposed on default and deemed default funds of non-qualifying auto-enrolment schemes. Checks were made to ensure that the 0.75% AMC statutory charge cap for qualifying auto-enrolment schemes was not exceeded.

The overall rating assessed by the GAA for the year ending December 2020 was that the arrangements operated by the Firm provided Value for Money (for members) . Nevertheless, there were a number of challenges made to the Firm in respect of Value for Money, which are referenced in the VfM report. The heat map of specific checks is set out below.



2.8. Following the Financial Conduct Authority’s effectiveness review and the enlarged portfolio coming under its remit, the GAA felt it necessary to enhance the assessment process and criteria used to continue to place the members’ interest at the heart of the VfM assessment. It is strongly felt by the GAA that value is a wider concept than just cost, though providing value through appropriate levels of charge is clearly an important driver for the GAA and members.

2.9. The GAA acknowledge the helpful commentary from the FCA last year and has specifically identified areas highlighted and addressed these as follows;

FCA Challenge	Response
Limited evidence of challenge of costs – just noted in line with Charge Cap – need to evidence better	Significant information has been requested and provided in relation to costs as documented in the GAA challenges document (Appendix D)
Need a better framework for the VfM	The revised structure for the VfM is more robust and evidence based. Over time it will develop and be a source for greater challenge to the Firm
More analysis on charges; benchmarking noted as something to consider particularly for investment performance ;	Benchmarks now included in assessment on performance and greater analysis being carried out with greater engagement from the Firm. Some queries do remain but significant progress on the previous year.
GAA effectiveness – no structured approach to assessment – to support approach to VfM	The GAA have completed a self assessment and believe they are effective. This was completed in June 2021.
GAA Challenges – are for the firm not the provider	By establishing the key challenges document and working to the Firm directly, this well-made point has been addressed.
ToR – demonstrate operating within these	The ToR are reviewed at each meeting and support reminding the GAA of the role and to ensure they are adhered to.
Recording resolutions	The challenges document needs to be a living document and does not delete but now shows challenges being addressed and closed down.
GAA report – too high level and had some gaps	The GAA believes this report provides an appropriate level of detail, with the appendices providing more information for those who require greater insight into the way that VfM is assessed and the challenges made. It has also been checked against COBS 19.5 requirements.

2.10. In conclusion, the GAA is again of the view that the workplace pension arrangements in scope of the GAA’s Terms of Reference continue to provide value for money for members.

2.11. The Value for Money Assessment identified a number of key issues which are being addressed as additional challenges to the firm. In particular two key areas in terms of charging structures and communication material under The ex-Canada Life Workplace Pension and also provision of responses in a coordinated manner to information requests.

b) Default Arrangements

2.12. Default arrangements were comprehensively reviewed in 2017 (under the MLGAA) and the GAA suggested last year that the Firm undertakes a further review of the default strategies in light of changes in member behaviour following Pensions Freedom. This is scheduled to take place before the end of 2021.

c) Investment Strategies

2.13. As in previous years, reviews of other (non-default) investment strategies offered to members in scope have been undertaken and the investment performance of these closely monitored and challenged as and when deemed necessary. The performance of a few of these funds has been challenged during the year, and relevant details can be seen in the Key challenges document (**Appendix D**). These challenges are monitored, updated and reviewed throughout the year. The GAA is comfortable with the responses from the Firm and believes the policies in place to be adequate.

2.14. The investment approach has been documented and implemented to the satisfaction of the GAA. This has been administered through external audit verifications and no material exceptions were identified in the AAF reporting or equivalent documents as provided to the GAA for Mobius Life, Canada Life, Aegon and the Firm.

d) Core Financial and Administrative Transactions

2.15. The GAA maintains its view that the following are core financial transactions:

- Investment of contributions;
- Transfer payments paid in from other pension arrangements;
- Transfers of members' assets between different investment funds available to members;
- Payments to, or in respect, of members.

2.16. In the main, core financial transactions continue to be processed promptly and accurately, as evidenced by the information provided by the administrators in their regular administration reports which are presented to the GAA at the management review meetings. The overall performance against Service Levels in the 4th quarter of 2020 showed that approximately 97.21% of transactions had been processed inside Service Level Agreements (SLAs) with no transactions falling below 95%. This was an improvement on the previous year.

2.17. It is important to re-emphasise that member complaints are closely monitored and reported on to the GAA. These have again been relatively low (47 made of which 15 were upheld in respect of Aegon's service, and none in respect of the Firm's services) and mainly associated with transactional process, delays mainly linked to Covid-19 and other communication issues.

It is felt that these have been managed pro-actively with responses within agreed service level periods and so, whilst clearly the aim is to have no complaints, given the challenges of the last year, it has been a creditable performance from the administrators.

e) Charges and Transaction Costs

- 2.18.** The GAA has decided that it is now appropriate to consider transaction costs within the basis for assessing VfM.
- 2.19.** Rigorous checks have again been undertaken, and the GAA has had it confirmed, that where it has been agreed that an arrangement can be used by the employer to meet “auto-enrolment duties”, the charges are within the range permitted by legislation. This has been a key challenge to the Firm over the year.
- 2.20.** The latest transaction cost information made available to the GAA shows that transaction costs for that period were in the range of -0.517% to +0.400% in respect of the ISGPP and -0.398% to +0.400% in respect of the ISSPP. Negative costs have been reset to zero within **Appendix F**. In the main, transaction costs have not been available for the Canada Life funds, and this is an area of development for future years. The GAA looks forward to the time when there is an industry standard for transaction cost comparisons and disclosure so that it can make a more informed judgement on the market comparability of these costs. The GAA assessed the extent to which all charges identified represent VfM to the members and concluded with the continued position of value being provided.
- 2.21.** A detailed list of administration and transaction costs for all funds available to members, separately for the four different workplace pension arrangements, is provided as **Appendix F**. Given that charges reduce the effective size of the pension account for members, it is important to ensure these are as low as possible whilst still capable of supporting the provision of quality service and investment management. Further, illustrations of the compounding effect of administration charges and transaction costs applied within the default investment strategies applying to members, as well as a representative range of fund options, can be found at the following web address: <https://www.scottishfriendly.co.uk/members-area/latest-investment-information/scottish-friendly-governance-advisory-arrangement>

f) Member Representation

- 2.22.** The GAA is required to consider members’ interests. As mentioned earlier, the most recent member survey lacked a sufficient number of responses to ensure there was a reasonable sample size. The Firm together with the GAA will consider how best to obtain a representative sample response in 2021. However, of those that did respond the majority were satisfied with the quality of service and there was no immediate concern regarding falling standards.
- 2.23.** It should also be noted that the GAA has continued to monitor the administration service provider’s Net Promotor Score (NPS). This score is designed to assess whether a member would be likely to recommend the service to another person and gauges the loyalty of a firm’s customer relationships. The latest data shows that currently far too few members

submit NPS responses to make this a credible measure for the GAA to use. This will be an area on which the GAA seeks to have great engagement from the Firm on monitoring and seeking alternative measures of member satisfaction.

g) GAA Challenges

2.24. The GAA has worked closely with the Firm during the year and has received total co-operation in that many of the challenges relate to third parties and both the Firm and the GAA were of the same opinion when considering challenges. The Challenges are included in **Appendix D** in full.

2.25. A few specific challenges made during the year were:

Administration (third-party provider)

- Fall in SLAs (item 6g of Terms of Reference)
- Recruitment Policy (item 6g of Terms of Reference)
- Cyber Testing (item 6h of Terms of Reference)
- Vulnerable Clients (item 6h of Terms of Reference)
- Pension Scams (item 6h of Terms of Reference)
- Communications (item 6i of Terms of Reference)
- Operational Compliance confirmations (item 6h of Terms of Reference)
- AE compliance (item 6h of Terms of Reference)

Investment

- Review of Default Strategies (item 6c/d of Terms of Reference)
- Review of ESG approach (item 6f of Terms of Reference)
- Reviews of investment performance and Benchmarks (item 6e of Terms of Reference)
- Review of costs and charges (item 6c of Terms of Reference)

2.26. Of the challenges made in conjunction with the Firm the GAA continues to monitor Aegon's recruitment policy and the Firm is due to respond on investment matters in the year 2021. SLA performance has reached acceptable levels following various challenges and monitoring.

h) Communication

2.27. The communication aspects of the Firm have been reviewed during the year with a particular focus on the annual statement to members and the inclusion of cost and transaction information.

2.28. This was reviewed in detail as part of the VfM assessment. The view taken was that the communication was adequate and fit for purpose. However, the GAA would be seeking the Firm to challenge further in this area, requesting a "leveling up" of the quality of communication materials across Aegon and the Firm, and being aware of the simplified statement consultation on draft regulations which is currently ongoing.

- 2.29.** The GAA applaud the desire to improve communication and a well crafted 2 page benefit statement will be a helpful step in that direction.
- 2.30.** This report will be available on a public website and printed copies will be available on request.

i) Actions for 2021/2022

- 2.31.** The key action for the coming year will be to ensure that the arrangements continue to provide VfM. In particular focus will be given to areas for improvement including specifically;
- Investments and default strategies – continually reassess charging levels and ensure the Firm critically review the default strategies in place
 - Costs – ensure greater challenge on overall charges to ensure VfM is at the centre of the business
 - Communication – understand the developments being planned for member services
- 2.32.** The GAA will continue to constructively engage, and challenge when necessary, to make sure that the arrangements being offered continue to be appropriate and cost effective.

3 GAA Expertise

- 3.1.** The GAA has sufficient expertise, experience and independence to act in members' interests and this is evidenced by the CVs of the participants. A number of changes to the GAA's composition took place during the year and prior to the publication of this report. Mr G Robilliard retired on 15 May 2020 and was replaced by Mr A Firbank. The former Chairman, Mr A Cheeseman retired on 31 March 2021 and was replaced by Mr R Nathan, at which point Mr A Firbank took over the role of Chair. The Firm and GAA thank Mr Robilliard and Mr Cheeseman for their service.

4 ESG

- 4.1.** The GAA has examined the ESG policies for the Firm and the underlying investment service providers (Mobius Life and Canada Life) and is confident that the policies of those firms is in line with the general policy of the GAA. The GAA has challenged the Firm on its ESG review process and been provided with details and copies of relevant information on a timely basis.
- 4.2.** This is a developing area and one the GAA encourages the Firm to be as active as reasonably practical. The GAA will be keeping this matter under ongoing review during 2021 to ensure the Firm keeps this as a key issue.

5 Appendices

- A) GAA Terms of Reference
- B) Value for Money Assessment – The basis
- C) Value for Money Assessment – The report
- D) GAA Challenges document
- E) GAA Escalation Policy
- F) Administration costs and transaction charges
- G) Biographies for GAA members.

APPENDIX A



Scottish Friendly Assurance Society Limited

Governance Advisory Arrangement

Terms of Reference



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1 Purpose

- 1.1. The primary role of the Governance Advisory Arrangement (GAA) is to ensure compliance with the Financial Conduct Authority's (FCA) rules for independence governance committees (as amended from time to time), and to act in accordance with all applicable legislation, regulations rules and guidance, whether made by the FCA or otherwise.

2 Membership

- 2.1. Appointment of GAA members, including the Chair of the Committee, shall be the responsibility of Scottish Friendly Assurance Society Limited ("Scottish Friendly").
- 2.2. The GAA shall normally consist of not less than five members, the majority of whom must be independent of Scottish Friendly.
- 2.3. Individual appointments to the GAA shall be for a fixed period of up to three years, which may be extended for up to two further additional periods, each of three years, provided that individuals continue to meet the criteria for membership of the GAA. Corporate persons appointed to the GAA may serve without any limit on the duration of their appointment.
- 2.4. GAA members may resign by providing Scottish Friendly with at least 2 months' written notice.

3 Quorum and Meeting procedures

- 3.1. A quorum of the GAA shall be a minimum of three independent members, and a majority of independent members. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting. The Committee, in consultation with Scottish Friendly, shall appoint a secretary of the Committee.
- 3.2. Decisions will be carried by a majority vote with each Committee member having an individual vote and the Chair having a casting vote.
- 3.3. There is the presumption that Committee members will make best efforts to be physically present at meetings, but the Chair may agree to a particular meeting being conducted by video or telephone conferencing if a Committee member requests it in advance. For the avoidance of doubt, the presence of a Committee member by telephone or video conference constitutes attendance at the meeting, and, therefore, counts towards the quorum.

4 Meetings

- 4.1. The GAA shall meet as necessary, and normally no less than four times a year, on dates to be determined in advance. Additional meetings may be convened if necessary, with 14 days' notice. Only members shall have the right to attend meetings; non-members are able to attend meetings by invitation only.

- 4.2. The GAA secretary shall minute the proceedings and resolutions of all meetings of the GAA.
- 4.3. Minutes of each GAA meeting shall be circulated as soon as practicable to all members of the GAA. They shall be approved (with updates on previously agreed actions provided) within four weeks of the meeting.
- 4.4. Meetings of the GAA shall be summoned by the secretary at the request of any of its members, in each case with the agreement of the Chair.
- 4.5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the GAA and any other person required to attend.
- 4.6. Meetings of the GAA may take place in person or by telephone/video conference.

5 Authority

- 5.1. The Committee may:
 - i. Investigate or cause to be investigated any activity within its terms of reference;
 - ii. Seek any information that it reasonably requires from Scottish Friendly in order to perform its duties and all representatives of Scottish Friendly to co-operate with any request made by the Committee;
 - iii. Despatch its business, adjourn and otherwise regulate its meetings as it shall see fit, including approving items of business by written resolution;

6 Duties

- 6.1. The duties of the GAA, which will be carried out in relation to Scottish Friendly's workplace pension scheme(s) as a whole (or individually if appropriate) shall be to:
 - a) Act in the interests of the members of the workplace pension scheme(s);
 - b) Act independently of Scottish Friendly (although Committee members should acquaint themselves with Scottish Friendly's business, products and systems);
 - c) Assess whether Scottish Friendly's workplace pension scheme(s) offer value for money, taking account of the relevant benefits and services the scheme members pay for in costs and charges (whether directly or indirectly), and:
 - i. Decide how to assess value for money in respect fund strategies available to present and past workplace personal pension scheme members implemented in respect of Scottish Friendly's scheme(s);
 - ii. Assess whether the characteristics and net performance of all investment strategies are regularly reviewed by Scottish Friendly to ensure alignment with the

- interests of scheme members, and where agreed with Scottish Friendly, to participate in the review procedure;
- iii. Assess the level of charges borne by scheme members and costs (direct and indirect) incurred in relation to transactions and other activities in managing and investing the pension assets of scheme members;
 - iv. Identify and quantify all other costs to understand full cost of investment services - including all fixed and variable costs;
 - v. Consider whether the costs and charges borne by scheme members to pay for services deliver sufficient value to scheme members (taking into account characteristics of scheme members);
 - vi. If the Committee deem it appropriate (or if directed by the FCA), consider value for money in respect of members in decumulation, or who have exercised retirement income options;
- d) Evaluate whether default investment strategies have been designed in the interests of scheme members, with a clear statement of aims, objectives and structure appropriate for scheme members;
 - e) Assess whether the characteristics and net performance of investment strategies (including non-default strategies and/or funds made available to scheme members) are regularly reviewed by Scottish Friendly to ensure alignment with the interests of scheme members, and action taken to make any necessary changes;
 - f) Assess whether core scheme financial transactions are being processed promptly and accurately;
 - g) Ensure that the services provided to members of workplace pension schemes are deemed appropriate by the Committee;
 - h) Evaluate the effectiveness of member communications;
 - i) Raise any concerns, and where necessary, make recommendations to Scottish Friendly regarding:
 - the value for money offered by Scottish Friendly`s workplace pension scheme(s); and
 - Any other issue examined by the Committee;
 - j) Obtain a written explanation from Scottish Friendly setting out reasons why they are not complying with (or has departed in any material way from) any of the Committee's recommendations; and
 - k) If appropriate, escalate the matter to the FCA if the GAA is still not satisfied. If the Committee has escalated a matter to the FCA it may consider making any material concerns it has public (after notification of any such intention to the FCA).

7 Reporting Procedures

- 7.1. The chairman of the GAA shall report to Scottish Friendly at regular intervals on the matters it has reviewed, making recommendations as appropriate.
- 7.2. GAA members undertake a review of the GAA's performance and these terms of reference annually and, if necessary, make recommendations to Scottish Friendly, including, if appropriate, amendment of this Terms of Reference document.
- 7.3. The GAA shall produce an annual report of the Committee's findings and activities during the year, which will be made publicly available. The Committee will submit its draft annual report to Scottish Friendly for review and comment before it is finalised and made public.

8 Conflicts of Interest

- 8.1. The GAA will act in the interests of members both individually and collectively. Where there is the potential for conflict between the individual and collective interests, the GAA should manage this conflict effectively. The GAA is not required to deal directly with complaints from individual policyholders.

9 Indemnity

- 9.1. Scottish Friendly will indemnify each member of the GAA on an on-going basis in respect of any claim, cost, loss, damages, awards or liabilities arising in respect of any act or omission occurring in the exercise of their role as a GAA member.

APPENDIX B

Scottish Friendly GAA – Value for Members (VfM) assessment - April 2021

Introduction

Some key principles apply in looking to assess VfM:

- Defined Contribution (DC) schemes have a legal duty to produce a Value for Members (VfM) assessment and include findings in their annual Chair statement
- the VfM assessment can have a significant impact on members' savings and help safeguard positive member outcomes
- when compiling the VfM assessment, the Governance Advisory Arrangement (GAA) should adopt a proportionate approach, based on the characteristics of each arrangement

In most cases, members of DC schemes rely on the provider to make important decisions about their fund, including the level of costs and services provided. The GAA is in place to monitor the provider and assess value on behalf of members.

The GAA has a legal duty to assess these costs and charges and include the assessment in the annual year end statement which is akin to the Chairs statement in the Trust world. However value is a lot more than just cost.

Therefore, VfM assessment forms an integral part of a GAA's duties and the results of the assessment can have significant impact on members' savings and help to safeguard positive member outcomes.

Key Features

In carrying out a VfM assessment, the following 6 key areas should be addressed;

Governance	Costs	Design
Investment	Administration	Communication

In assessing costs, comparisons where possible with the wider market should be assessed. The overall value offered by a scheme, as opposed to the value for members assessment required by legislation, is likely to be influenced strongly by additional factors.

- The scheme's governance framework – the effectiveness of the GAA and its interaction with both providers and, where appropriate, the Employer, can affect the overall value provided to members.
- Security of assets – whether arrangements are in place to protect member benefits if the provider should fail.
- The cost of services – These should be assessed and if possible market compared however, the cost can be heavily influenced by the service offering made to members.
- Employer contribution to member funds – if employers choose to pay a higher rate of contributions to member funds, over and above the automatic enrolment minimum, this could be considered part of the overall value offered to members. The same principle may apply where employers offer contribution matching arrangements that encourage members to contribute more than the automatic enrolment minimum. This may offset higher charges.

Within the 6 key areas, further analysis should be undertaken.

Governance – are we confident that we have adequate controls in place to manage the risks and do we believe the oversight and governance is targeted at delivering good member outcomes? Is the provider carrying out its duties and reporting clearly and efficiently to the GAA?

Costs – Can we identify all cost and are they reasonable in relation to the range and quality of services and member outcomes?

Design – Are the arrangements fit for purpose? Do they meet the objectives of a pension arrangement. Are the arrangements accessible to members and simple to follow?

Investment – Do the funds provide sufficient choice? Is there too much or too little choice and how is this information communicated? Are charges clearly visible e.g. in annual statements? How does the charging compare to other similar funds?

Administration – Is the service reliable and how has it performed against any agreed service levels. Is the service accessible and accountable? How well are complaints managed and what is the volume of complaints?

Communications – Are communications with members sufficient and understandable? Do the communications assist member decision making and is the provider having an active oversight role? How is the decumulation process communicated?

The VfM Cycle

The VfM should be an annual process completed prior to production of the Annual Statement as this embeds many of the oversight functions of the GAA and is publicly available.

The process should be as follows:

1. Process Overview – verify 6 key areas remain valid; Identify any additional items and account for any feedback from the FCA, the Provider or members.
2. Data Capture – this involves the Provider and various support agencies such as administrators / investment managers providing data
3. Gap Analysis – Identify any gaps in provision and see if they can be filled.
4. Assessment – collate data against identified criteria
5. Benchmark – Use experience and data from external sources
6. Summarise – Overview the assessment and reach final conclusion
7. Recommendations – review policy and approach and feedback possible options to the provider from the GAA

Scoring

The scoring basis should be a simple one. The overall assessment of each criteria should be as follows ;

Score	Criteria
0	Not Relevant / Absent
1	Below Expectations
2	Meets expectations
3	Exceeds Expectations

Reflections from the FCA

The GAA needs to reflect on key feature of the FCA feedback from the 2020 review.

1. VfM and GAA report noted as high level – there is a need to demonstrate greater interrogation of information.
2. Charges – it has previously been less clear how the GAA demonstrated VfM on charges – not linked to terms of reference and potentially not compliant with the rules
3. Default funds – it was not clear how the GAA assessed the structure of the default funds
4. GAA challenges to the firm were not clear- and equally it was not clear how the challenges sought to drive VfM for policyholders

APPENDIX C



SCOTTISH FRIENDLY GOVERNANCE ADVISORY ARRANGEMENT ("THE GAA")

MEASURING VALUE FOR MONEY FOR MEMBERS

June 2021

1 BACKGROUND

Introduction

In order to ensure that the service delivered is consistent with the views and opinions of the GAA, we have produced this paper and set out our approach for assessing the measuring Value for Money (For Members) (VfM). This was following the completion of an overarching review document agreed to by the GAA as the structure for this VfM review and which is summarised in this paper.

We have identified different areas of the arrangements offered by Scottish Friendly (the Firm) and overseen by the GAA (referred to as the "Plans") and identified some success criteria and VfM measures. The Financial Conduct Authority (FCA) rightly focuses attention on member charges and investments and we have reflected this in our VfM register attached to this document.

This paper covers a range of potential in scope activities for the assessment of VfM since VfM cannot be confined to investment strategy, charging and performance without relating these outcomes to the needs, behaviours and profiles of the membership. Consideration of the Policyholders is vital and it was noted in feedback from the FCA, that our previous GAA report was 'readable' but had shortcomings in terms of some content. The GAA feels strongly the VfM should support a 'readable' document and so greater detail has been included to reflect the helpful comments made by the FCA.

Challenges identified from this report will be made to the Firm, added to the challenges register and progressed over the coming year. This is a dynamic document and reviewed at each GAA meeting as well as being owned by the Chair of the GAA for interim progression monitoring.

Finally, the GAA note the terms of Reference (ToR) and con confirm the operation of the GAA is in line with the ToR. These are monitored at each meeting and reviewed formally annually to ensure they remain current and reflect the work completed by the GAA.

Pandemic

The Pandemic has clearly impacted policyholders during the year and also the service received. In the VfM assessment appropriate commentary has been added to reflect the specific circumstances and challenges faced.

Legislation

The requirement that relates to VfM is summarised below¹.

Assessment of charges and transaction costs

The GAA must, at intervals of no more than one year – calculate the charges and transaction costs (so far as they are able to do so) borne by members of the Plan, and assess the extent to which those charges and transaction costs represent good value for members.

In addition, the FCA has provided guidance at the following link:

<https://www.handbook.fca.org.uk/handbook/COBS/19/5.html>

Further, there are strong parallels with the VfM assessments that have taken place in the trust based occupational DC pension world, where the Pensions Regulator has provided a guide to value for money:

<http://www.thepensionsregulator.gov.uk/GAAs/value-for-money-in-your-dc-scheme.aspx>

¹ The regulations refer to value for 'members' but in this report we use, for consistency, value for 'money for members' throughout

What is Value for Money (VfM)?

VfM in some ways is simple but other a complex concept. It may be interpreted in many different ways. In its simplest form, it is the determination of whether the cost of a service is fair in relation to the range and quality of the services being provided. It is not an exercise in determining the cheapest cost for a service. The GAA feels that some areas can be over engineered and so lose sight of the rightful aims in a sea of detailed information that the Policy holder will struggle to navigate.

The Pensions Regulator defines VfM as, 'A scheme offers value for money (VfM) where the costs and charges deducted from members' pots or contributions (the costs of membership) provide good value in relation to the benefits and services provided (the benefits of membership), when compared to other options available in the market. It does not necessarily mean low cost, provided higher costs can be justified by improved benefits.'

The GAA focuses on the charges deducted from member contributions and, as a minimum, VfM should be assessed and measured in relation to these charges. However, GAAs can consider VfM in a more holistic way and include Governance, Design Administration Communication as well as costs and investments.

The principles of successful assessment of VfM

Assessing VfM requires an assessment of absolute cost and relative cost taking into account the scope, quality, frequency and fitness for purpose of a service. This drives a need to review the components of a service and to be able to collect reliable and appropriate management information from the suppliers in terms of delivery and outcomes.

Over the year the GAA has been gathering detailed information on all aspects of the arrangements. There have been numerous challenges to the Firm which have been documented and will be disclosed as part of the annual report. The Firm has been supportive in providing the requested information.

Appropriate scope – we have identified the areas below as necessary for the assessment of VfM and posed relevant questions for the GAA to consider in the light of the costs of each element of the Firm's activities. This is driven by COBS 19.5 but also the GAA's own views on what really is VfM.

- **Governance** – are we confident that there are adequate controls of the Firm's activities and risks and do we believe that Firm is set up to deliver good outcomes for the members? Is the management culture conducive to targeting good member outcomes? Are we meeting our own objectives as set out in the GAA's terms of reference?
- **Design** – Are the Plans fit for purpose? Are they meeting the agreed objectives and are they appropriate and understandable to members? We have incorporated this area into Governance in the VfM register that follows.
- **Investment** – do the funds offered within the Plans present sufficient or too much choice to members? Are the funds and default options within the Plans performing well in relation to other similar funds or an appropriate benchmark? Are the charges compliant and fair in relation to the outcomes and when considered against available market data? Our assessments should also include a focus on Environmental Social and Governance (ESG) principals
- **Administration** – is the service reliable, timely and accurate? Is the service accessible to members and accountable? Are the GAA provided with sufficient detail to assess and challenge as needed?
- **Communications** – are communications with members sufficient and understandable? Does the GAA believe the communications allow a member to members make choices and plans for retirement? Do they support members in making choices?
- **Costs** – can we identify all the costs of the Plans? Are these reasonable in relation to the range and quality of the services and the outcomes? Is the GAA provided with sufficient detail to assess and challenge as needed.

2 OUR PROCESS

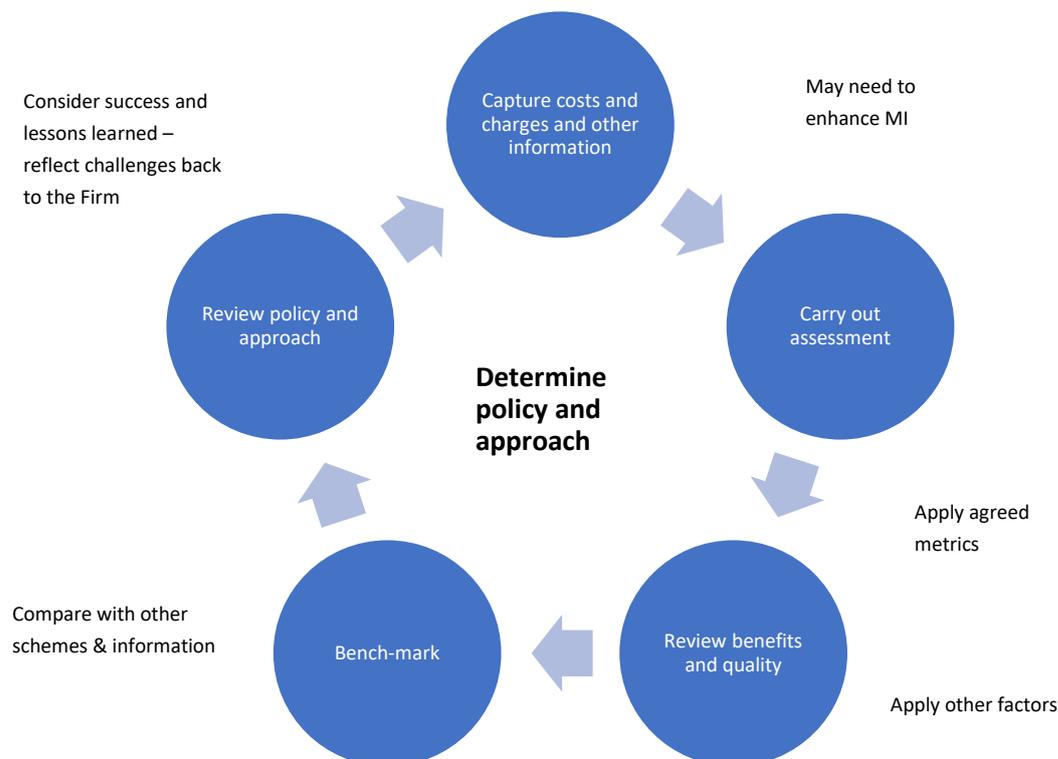
A cyclical approach

In order to satisfy regulatory requirements and to demonstrate good governance, we believe the GAA needs to be able to demonstrate due process which includes:

- careful consideration and determination of what constitutes value for money including a review of available guidance against the features of the arrangements
- identification and capture of all relevant information; and
- a clear view of success criteria and how to measure or evidence same.

It would be considered good governance practice to develop a policy which captures the above elements and determines the frequency and method of monitoring VFM. The process used in this assessment we believe satisfies this but can be expanded as needed to review further material as needed.

VfM cycle



Scoring scheme

For the purpose of this assessment, we have used a straight forward scoring system to assess the value for money for members with the Plan.

Good	5	4	3	2	1	Poor
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5 = Exceeding expectations, market leading

4 = Slightly exceeding expectations

3 = Meeting expectations

2 = Slightly below expectations

1 = Not meeting expectations, area of concern

Potential use of specific ratios

It is also possible to extend our assessment of VfM to include specific ratios, such as:

- cost per member: determined by dividing the overall running cost of the arrangements with the total membership number.
- Investment cost per member: determined by dividing the overall cost of investment management with the total number of invested members.
- Administration cost per members: determined by dividing the total cost of administration with the total number of members.
- Governance costs per member: determined by dividing the total cost of GAA activities, support and advice with the total number of members.

This is not an exact science but will give an indication of changes in costs in relation to the arrangements as a whole and also for specific areas of activity. Such changes can then be investigated in terms of rationale and thus appropriateness. In addition, these are the kind of metrics that can be more easily compared with other schemes outside Scottish Friendly.

At this stage it has been agreed not to extend the analysis, particularly during the 2020/2021 pandemic, but it will be considered in future years.

SCOTTISH FRIENDLY Arrangements – including ex Mobius ; ex Canada Life and Scottish Friendly own arrangements

Assessment of Value for Money for the year ended 31 December 2020

Score	Application criteria
1	Not meeting expectations, area of concern
2	Slightly below expectations
3	Meeting expectations
4	Slightly exceeding expectations
5	Exceeding expectations, market leading

Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
Overall	Detailed VfM report	GAA assessment SLA performance	Review of success against objectives Report from the Firm	Guidance from independent members and other Board members	Points to the arrangements meeting a VfM assessment with areas for improvement	3
Governance	Good Administration reports - no qualifications, no critical recommendations, meeting SLAs and ensuring SLAs are appropriate challenging the Firm to keep under review	Review by GAA of information provided by the Firm Separate meetings with administrator in particular related to service and communications on which the GAA has to form a view	Good engagement Some poor service below SLA challenged and recovery plans implemented linked very closely to the Pandemic	Challenges made and concerns Highlighted	The administration performance directly impacts members and the Firm , whilst understanding the pandemic, needed to improve performance. This has come through in the last part of 2020. The best performing areas were related to payments including Deaths and Maturities at over 90% which it was agreed was a major priority in SLA management.	2

Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
	Good level of awareness of member behaviour – GAAs regularly review DC experience and activity at meetings	Evidence of active review Evidence of change following review Survey of members completed	Minutes of meetings Copies of MI Actions re change	Training Professional advice Review of survey material	We note that the arrangements have a good spread of representation and strong professional skills in the independent GAAs Greater understanding of member behaviours will be a challenge that needs to be raised with the Firm	2
	GAA qualifications (Experience and other relevant qualifications)	Evidence of professional qualifications	The independent GAA members have all completed their PMI Accredited Professional Trustee in good standing certification	Ongoing professional development Training log via professional institutes for independent GAA members	All independent GAA members have confirmed their qualifications	5
	GAA Effectiveness	Carry out self assessment	Gap analysis to identify any potential shortcomings	To be implemented in 2021 as new members of the GAA and time needed to assess effectiveness	This should have been in place as an annual review process. The comments from the FCA here were appreciated	3
	Good levels of compliance – GAAs have good understanding and knowledge of the arrangements, they receive updates and reports regularly and there is a good balance of skills on the board and representation	Evidence of information and regular meetings properly minuted. Independent GAAs exercise particular skills Reports on compliance	Meeting packs with relevant papers Minutes of meetings Annual Business Plan GAA challenges documented	Document production Ongoing monitoring	No compliance breaches noted Evidence of training and actions posts reviews would improve this rating	4

Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
Design	Contributions – timely payment/deduction of contributions and investment of contributions	Payments are not in breach of the payment date within the payment schedule Contributions invested within one week of contributions paid	Late payment of payroll contributions is monitored and compliance reported in administration reports Monthly contributions are deducted and invested within 2-3 weeks	Review contribution remittance process	Contribution remittance is generally very efficient,	2
	Contribution Structure – the structure of contributions is reasonable and provides sufficient member choice for Firms own scheme (Other schemes not in scope as set by their own employers)	Member choice available Contributions significantly ahead of AE minima Simple to understand	Will lead to better member outcomes	Periodical review by the Employer	Overall a good level of contributions offered either gross or net of fees/costs – in fact this highlights the blunt instrument that costs assessment is.	3
	Flexibilities – plan benefit design is generous and offers some of the new flexibilities	Plan offers some of the new flexibilities MI from the Firm on outcomes	The Plan offers UFPLS as well as an annuity on retirement	Monitor take up rates to understand the needs and wants of members at retirement	Plan offers usual options at retirement but no drawdown	2
	Satisfied members – low levels of complaint or expressed disappointment	No. of complaints as % of membership or cases. Reports on no. and nature of complaints	Complaints targets: Less than 0.5% of membership	Investigation required as low level reported but not always quantified so until quantified is below expectations Formal feedback from suppliers	Percentage of complaints relative to membership population is very low	4

Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
	Vulnerable Customers	Ensuring a vulnerable customer policy is in place, is reasonable and is regularly reviewed by the Firm	Provision of updated policy annually as a minimum	None as received	Policy last updated 15/12/20 and shared with GAA	3
Investment	Default investment funds Charging structures reasonable and compliant Charges are transparent and easily available to members	Absolute charges as percentages of contributions invested MI showing links between asset distribution and performance with membership profile in relation to lifestyle/default strategies and self-select funds Charge cap on default investment funds	Default investment funds incur less than a 0.75% annual charge Charge structure should be transparent and communicated to members	Review and monitoring of investment fund charges	The investment charges are detailed on the Firm's website Evidence that any higher fee level produces added value returns should be sought to support use of higher cost funds	2
	Investment activity Good investment performance Choice of funds meets members requirements Members have access to information to understand risk and at appropriate ages Asset allocation and tactical asset management reflects membership profile and demonstrates added value Default funds where appropriate are reasonably priced and appropriate to members' attitude to risk	MI From fund managers including percentage returns compared with relevant agreed targets, objectives and benchmarks Range and level of transaction costs Assessment of performance in relation to overall investment strategy (not just underlying funds)	The GAAs monitor the performance of all of the funds and receive regular reports from their investment advisors detailing the funds performance against their target	Regular review of the investment funds and charges levied against those funds	Members have access to the information pertaining to the investment funds and the asset allocation reflects membership profile and demonstrates added value	3

Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
Administration	<p>Low levels of complaints from members and other parties</p> <p>Full compliance and no fines or compensatory payments</p> <p>Delivery of all required service level targets</p> <p>Accurate and timely information to members</p> <p>Good AAF audit reports</p> <p>Clear retirement letters</p>	<p>MI showing reasonable delivery of SLAs allowing for prioritisation in the pandemic</p> <p>Reported errors and omissions within acceptable levels</p> <p>Review of AAF reports</p> <p>Review of member communications</p>	<p>Measurement using MI from administration</p> <p>Qualitative assessment</p> <p>Percentage of complaints to membership size</p>	<p>Regular review of MI</p> <p>Internal controls</p> <p>Training</p>	<p>Governance report provides good MI on service levels – it does not deal with end to end processing</p> <p>Percentage of complaints relative to membership population is low</p> <p>The retirement process letters could benefit from a review (that may extend to other standard event letters)</p>	2
	<p>Benefit statements</p> <p>Produced and issued in a timely manner</p>	<p>Issue benefit statements within three months of the arrangements renewal dates</p>	<p>Qualitative assessment</p>		<p>Benefit statements are generated appropriately and issued</p>	3
	<p>Online facilities</p> <p>View retirement pot, units, up to date value, contribution histories</p> <p>Change or make one-off contributions</p> <p>Switch funds</p> <p>Change target retirement date</p> <p>Edit personal details</p> <p>Make choices at retirement</p> <p>Request crystallisation of funds/draw down/etc</p> <p>Nominate beneficiaries</p> <p>Access fund/scheme information</p> <p>Use modelling tools</p>	<p>MI on member activities split by type</p> <p>Members have access to sufficient information online</p>	<p>Express member activity as a percentage of overall membership</p> <p>Provide data in relation to specific populations</p>	<p>Continual investment in online facilities to accommodate the younger members</p>	<p>The Plan website has extensive facilities, relating to; switching investments, access to scheme information, and various modelling tools</p>	4

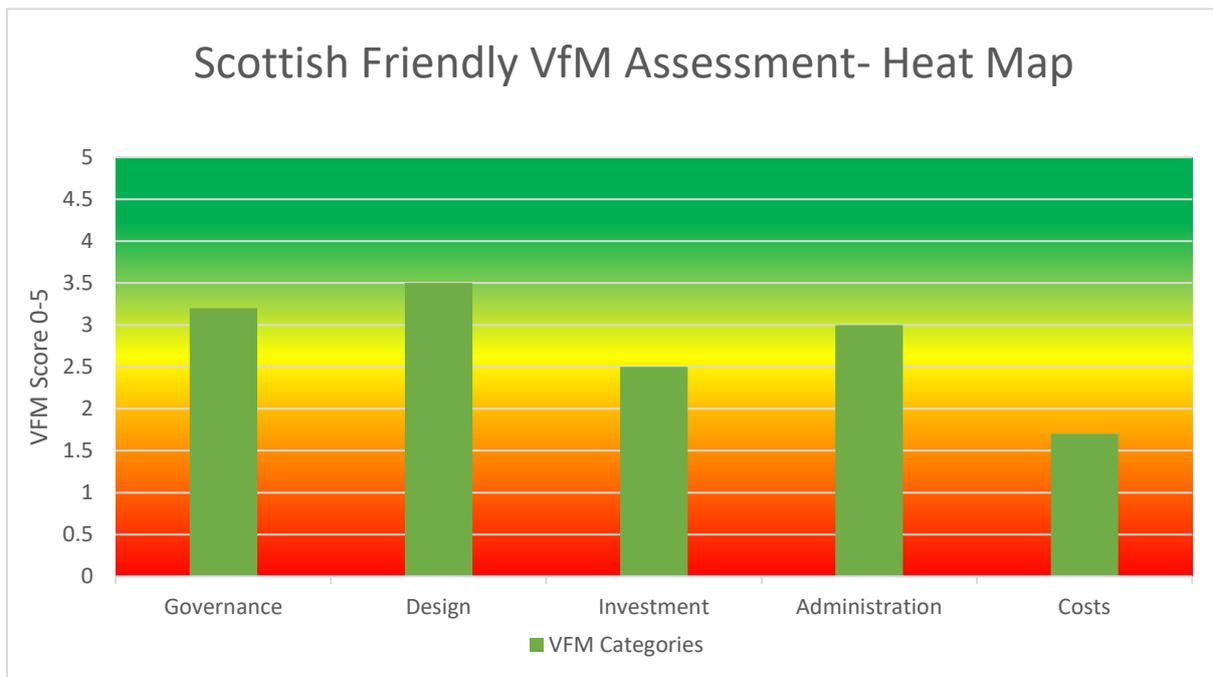
Activity	Assessment Criteria	Measures	Outcomes	Actions	Comments	Initial Assessment Rating
Costs	Investment Charges	Default funds comply with the charge cap and are reasonable in respect of the level of return provided Benchmarking is in place to assess against the market where such comparable data is available	Charges are both compliant but also VfM against a benchmark and having accounted for the totality of service.	Consider a review of the charge structure on the investment funds	Benchmarking will be key as whilst there is a belief these are VfM more evidence externally benchmarked would be needed to support this	1
	All other costs as related to Members	Total costs are reasonable in relation to the services provide by the Plan	Besides from the AMC and transaction charges no other charges are incurred by members	No further actions are required beyond that identified in the previous section	None	2
	Costs at retirement	Charge incurred to member is reasonable for services provided	Considerable information and guidance is made available to members at retirement. The option of advice is available to members but it is unclear if this is paid for or not	Consider review of the 'at retirement' process offered by the arrangements	In terms of member experience it would be useful to have surveyed members in the retirement process to assess member perception	2

4 CONCLUSIONS

Based on our review we believe that the Plan offers value for money for members based on our interpretation of the Regulator’s VfM definition by evaluating the Plan’s governance, design, administration, investment, communications, and costs.

There were certain aspects of our review that we were unable to make an effective assessment given the documents we have had at our disposal. However, this is only applicable to a minority of the assessment areas and does not prevent us from making an effective evaluation of the Plan’s VfM. These will lead to new challenges that will be documented in the Key challenges document which will be appended to the GAA annual report

As detailed above, we used a scoring system of 1-5, ranging from ‘not relevant or absent’ to ‘exceeds expectation’, in order to assess each aspect of the Plan’s VfM. The heat map below highlights the key strengths and sets the basis of our evaluation.



Although the Plans offered by the Firm, in our assessment, offer value for money for members, the GAA believes there are a number of areas that merit attention by the Firm. In particular challenging the Firm to review ex-CL fees and also “level up” communications material across Aegon and the Firm.

It is noted this has been a difficult year for the Firm due to the Pandemic and the sad death in April 2021 of the Chief Executive Jim Galbraith.

Next Steps

In any review such as this, areas for attention are identified. The next steps should be to review these and agree an action plan that is appropriate to the Plan. These should be added to the Key Challenges documentation and monitored at least quarterly with challenges back to the Firm.

5 LIST OF SCOTTISH FRIENDLY DEFINED CONTRIBUTION PLAN DOCUMENTS REVIEWED AS PART OF THIS PROCESS

FCS Thematic Review letter 24th June 2020

COBS 19.5 Independent Governance Committees and publication and disclosure of costs and charges

PS19/30 IGC extension of Remit

PS20/2 Publishing and disclosing costs and charges to workplace pension scheme members and amendments to COBS 19.8

Administration reports for the year from Aegon and Scottish Life covering the Ex Mobius , ex Canada Life and Scottish Life Own fund arrangements

Investment reports covering all underlying funds, lifestyling and benchmark analysis and charges

Annual Business Plan

GAA Challenges document

APPENDIX D

GAA CHALLENGES – updated to 21/05/2021 – latest underlined

	Challenge	Date Challenged/Requested	Date Received Response
1	<p>Has the Firm reviewed default strategies and their appropriateness following Pensions Freedom?</p> <p>If not, can the Firm do so by contacting IFAs involved in the design of each default, and consider appropriate action for cases where no IFA takes responsibility “orphan cases”?</p> <p>Can the Firm provide a timescale and plan for undertaking a review?</p>	<p>17/02/2020</p> <p>26/02/2021</p> <p>20/04/2021</p>	<p>16/12/2020 GAA meeting response that limited scope to review given IFA involvement.</p> <p>Confirmed firm would raise internally at 26/02/2021 GAA meeting</p> <p>KM TO DISCUSS WITH IN</p>
2	<p>Has the Firm reviewed the Mobius ESG policy and satisfied itself that it is appropriate? Can both the Mobius Life ESG policy be provided to the GAA?</p> <p>Is the Firm happy that the Mobius ESG Policy is sufficiently frequently reviewed and updated given the current policy dates from 2019?</p> <p>Has the Firm reviewed the Canada Life ESG policy and satisfied itself that it is appropriate? Can the Canada Life ESG policy be provided to the GAA?</p>	<p>17/02/2020</p> <p>20/04/2021</p> <p>26/02/2021</p>	<p>Firm confirmed reviewed on 30/10/2020 (as stated within its own ESG policy)</p> <p>Mobius Policy obtained from Mobius on 11/02/2021 and stated to be from 18/12/2019</p> <p>KN TO RAISE WITH UL FUNDS COMMITTEE</p> <p><u>Mobius provided Stewardship and Engagement Policy 2020 on 12/5/2021</u></p> <p>A review has taken place to the satisfaction of the Firm, and the policy was issued to GAA by email on 9/3/2021</p>
3	<p>Can the Firm provide a copy of its own ESG policy?</p> <p>Can the firm respond to questions regarding the ESG policy regarding UK corporate Governance Code and UK</p>	<p>17/02/2020</p> <p>13/1/2021</p>	<p>Provided v1.1 on 30/10/2020 and v1.2 on 16/12/2020</p> <p>Responded 29/01/2021 with satisfactory answers.</p>

	<p>Stewardship Code positioning and other matters?</p> <p>Can the firm provide its ESG ratings from the May 2020 Unit Linked Funds Committee meeting, and in due course those from the May 2021 meeting?</p>	08/03/2021	<p><u>Response provided by Unit Linked Committee on 29/4/2021</u></p>
4	<p>When did the Firm's Investment Committee last review poor performing investments and what action was taken?</p> <p>How is the Unit Linked Funds Committee measuring acceptability of performance and deciding that 14 Mobius funds are "red" and 7 "amber" within its Q3 2020 Monitoring Report?</p> <p>Are there any Mobius Funds on the red and amber list at Q4 2020 given no reference in the February UL Funds Committee report?</p>	<p>15/05/2020</p> <p>08/03/2021</p> <p>20/04/2021</p>	<p>Quarterly review (supplied for Q2) by Unit-linked Fund Committee, and no funds on "watch-list".</p> <p><u>Details and comprehensive analysis spreadsheet provided by Unit Linked Committee on 29/4/2021</u></p> <p><u>Response provided by Unit Linked Committee on 29/4/2021, more to follow.</u></p>
5	<p>Has the Firm reviewed costs inclusive of investment transaction costs for the various funds and members?</p> <p>Can costs and charges for calendar year 2020 be provided to the GAA?</p> <p>Can the firm provide details of its costs review from the May 2020 Unit Linked Funds committee meeting, and in due course the review from the May 2021 meeting?</p>	<p>15/05/2020</p> <p>26/02/2021</p> <p>08/03/2021</p>	<p>Provided with transaction costs for 2019 calendar year on 26/02/2021</p> <p>CL portfolio stated to be between 0.75% and 0.9% at a planning and review meeting on 31/3/2021. MOBIUS PROVIDED TRANSACTION CHARGES 20/4/21, BUT NOT ALL COSTS. <u>AMCs provided by Unit Linked Committee on 29/4/21</u></p> <p><u>Provided by Unit Linked Committee on 29/4/2021, but queries outstanding.</u></p>

6	Can the Firm confirm a review of Cyber Security has been undertaken and share the outcome with the GAA?	26/02/2021	Details of testing provided by email on 30 March 2021. This shows appropriate external accreditation.
7	Can the GAA review the policy for Vulnerable Clients? Has the Firm updated the Vulnerable Clients policy for recent changes to FCA requirements, and can a revised policy be provided?	16/12/2020 26/02/2021	Provided v1.0 on 16/12/2020 Confirmation at a planning and review meeting on 31/3/2021 that an update is being undertaken but not within the timescales of the current GAA year.
8	What is the firm doing to manage the risk of pensions scams applying to policyholders?	26/02/2021	Planning and review meeting on 31/3/2021 confirmed retirement processes (either customer initiated or firm initiated) includes all required scam warnings, to the satisfaction of the MLRO.
9	What charges apply to the SF Staff Plan? What transaction charges apply, and how does the charge fit with legislative requirements? Can the Firm review the appropriateness of the 1% AMC applying to the Managed Fund, and is this fund a default fund?	27/11/2020 26/02/2021 26/02/2021	Disclosed at 16/12/2020 GAA meeting Confirmed at planning and review meeting on 31/3/2021 that no additional charges and meets requirements given NOT used for Auto Enrolment. Planning and review meeting 31/3/2021 confirmed review concluded that current charge is commensurate with current contribution input from the employer.
10	Can the Firm provide samples of the major communication documents / online material and access provided to members to assist with value for money assessments,	26/02/2021	Received direct from Aegon on 18/3/201 and 25/3/2021.

	evidencing compliance with COBS 19.5.17(R)?		KM TO PROVIDE CL AND SF EQUIVALENTS
11	Can the Firm provide access to a member of its Investment committees, or details of the output from those committee meetings? Can the Firm confirm where the Mobius property fund assets will be moved to, and provide comments on the discussion at the Canada Life and Mobius Life meetings (the latter being held on 30/11/2020)?	27/11/2020 08/03/2021	26/02/2021 – Ian Neilson is a Committee member and provided Q3 2020 Unit Linked Fund Monitoring Report and compliance document on Unit Linked Principles and Policies <u>Details provided 20/4/2021, with no decisions on Mobius property fund due until later in 2021.</u>
12	Can the Firm (perhaps via Mobius Life) provide details of performance figures for all its funds offered to policyholders? Can benchmarks be provided or details of how performance is judged as acceptable?	27/11/2020 26/02/2021	11/02/2021- Mobius Life performance information received direct from Mobius Life, but without benchmarks. <u>Unit Linked committee provided benchmark information on 12/5/2021</u> <u>Unit Linked committee provided analysis 12/5/2021</u>
13	Can the Firm (perhaps via Aegon) set out which funds are utilised as default funds?	26/02/2021	<u>Aegon provided details on 23/4/2021.</u> KM TO PROVIDE CL AND SF EQUIVALENTS
14	Can the Firm assist the GAA in answering the questions set out in the Business Plan appendix assisting with the drafting of the Annual Report?	26/02/2021	31/3/2021 K McNally planning and review meeting undertaken with A Firbank, Chair of GAA, providing answers to questions raised.
15	Can the Firm inform the GAA of any new funds introduced to policies?	26/02/2021	Confirmation that no new funds added at 31/3/2021 planning and review meeting

16	Can the Firm provide projections, perhaps via Aegon for the Mobius policies, for default funds in line with COBS 19.5.13® and establish a publicly available website for publishing	26/02/2021 <u>Separate email post Aegon confirmations issued to IN and KM on 14/5/2021</u>	<u>Technical matters confirmed with Aegon at meeting 5/5/21</u> IN / KM TO CONSIDER
17	Can the firm provide operational compliance reviews (AAF equivalents) for Mobius Life, Canada Life, Aegon and Scottish Friendly?	26/02/2021	Mobius Life AAF received 29/3/2021 and reviewed on 31/3/2021. Scottish Friendly uses alternative compliance review process. <u>Aegon supplied 10/5/2021.</u> KM TO PROVIDE CL AND SF EQUIVALENTS
18	Can the firm provide administration statistics for the Canada Life portfolio and SF Staff Scheme equivalent to those provided by Aegon for the Mobius Life portfolio? (ie SLAs, complaints, breaches, statements issued)	26/2/2021	AF populated summary spreadsheet KM TO PROVIDE CL AND SF EQUIVALENTS FOR DECEMBER 2020 IN TO PROVIDE FOR FUTURE QUARTERS
19	Is the firm happy that Aegon do not undertaken any checks on AE compliance by the 7 employers using schemes for AE purposes?	20/04/2021	KM TO RAISE WITH IN

APPENDIX E

The Escalation Policy In Respect Of the Scottish Friendly Governance Advisory Arrangement (The SFGAA)

- 1.1. The SFGAA intends to engage constructively with Scottish Friendly in fulfilling the SLGAA's duties and responsibilities.
- 1.2. In the first instance, the Chair of the MSFGAA (in agreement with, and on behalf of, the SFGAA) will raise informally with Ian Neilson ("the Responsible Officer") of Scottish Friendly Assurance Society Limited any concerns it may have in relation to the cooperation being experienced and information being provided to the SFGAA.
- 1.3. The SFGAA will only consider taking more formal action if it is unable to resolve a relevant concern by means of such informal engagement.
- 1.4. In the event that the relevant concern is not resolved by informal means, the SFGAA will refer the relevant concern to the Board of Scottish Friendly Assurance Society Limited by written notice, having given prior notice to the Responsible Officer of its intention to do so.
- 1.5. In such circumstances, the SFGAA will engage with the Board of Scottish Friendly Assurance Society Limited in order to seek to resolve the relevant concern. The SFGAA will specify a timescale within which it wishes to resolve the issue.
- 1.6. In the unlikely event that the relevant concern is not resolved in this way, and Scottish Friendly Assurance Society Limited has not either complied with the SFGAA's wishes or provided a reasonable explanation of any non compliance with the SFGAA's wishes, the SFGAA may be required to report such matter to the Financial Conduct Authority. Such action would be deemed to be one of last resort and at least 7 days written notice would be provided to the Board of Scottish Friendly Assurance Society Limited if such an approach was to be adopted, with a view to the matter being addressed before such a report to the FCA becomes necessary.
- 1.7. All decisions to escalate matters under this policy shall be taken by a majority vote of the SFGAA. Authorised signatures:
- 1.8. We hereby accept the terms of the SFGAA Escalation Policy:

Signed: Andrew Firbank, Chair of SFAGAA

Secretary On behalf of the SFGAA.

Signed: Pam Simmons, Company

On behalf of Scottish Friendly Assurance Society Limited

APPENDIX F



Scottish Friendly Workplace Pension Schemes: Costs and Charges

Unit-Linked Fund	Annual Management Charge (AMC)	Transaction Cost	Other Costs	Total Costs and Charges
Scottish Friendly Personal Pension Plan (ULPP Staff)				
Pension Managed Fund	1.00%	0.26%	0.00%	1.26%
Pension UK Equity Fund	1.00%	0.40%	0.00%	1.40%
Pension With Profits Fund	0.00%	No data available	1.00%	1.00%
Pension Fixed Interest Fund	0.09%	0.00%	0.91%	1.00%
Pension Cash Fund	0.00%	0.00%	1.00%	1.00%
ex-Mobius Life Scheme				
M&G PP Cash Fund	0.100%	0.000%	0.07%	0.17%
M&G PP Fixed Interest Fund	0.250%	0.00%	0.120%	0.37%
M&G PP Global Equity Fund	0.430%	0.15%	0.140%	0.72%
M&G PP Index-Linked Fund	0.250%	0.124%	0.120%	0.49%
Schroders UT Prime UK Equity Fund	No data available	0.23%	No data available	No data available
Passive All Stock Fixed Interest Gilt Fund	0.037%	0.000%	0.683%	0.72%
Passive Continental European Equity Fund	0.078%	0.00%	0.642%	0.72%
Passive Japan Equity Fund	0.078%	0.02%	0.642%	0.74%
Passive Long-dated Fixed Interest Gilt Fund	0.037%	0.04%	0.683%	0.76%
Passive Over Five-year Index-linked Gilt Fund	0.037%	0.10%	0.683%	0.82%
Passive Pacific Basin Ex-Japan Equity Fund	0.078%	0.00%	0.642%	0.72%
Passive UK Equity Fund	0.029%	0.00%	0.691%	0.72%
Passive US Equity Fund	0.078%	0.000%	0.642%	0.72%
Select World Equity Fund	0.471%	0.29%	0.35%	1.11%
Sterling Liquidity Fund	0.050%	0.000%	0.67%	0.72%
Active Global Ex-UK Equity Fund	0.577%	0.48%	0.24%	1.30%
Active UK Equity Fund	0.444%	0.11%	0.38%	0.93%
Passive Global Ex-UK Equity Fund	0.078%	0.000%	0.64%	0.72%
DB Passive World Equity Fund	0.075%	n/a	0.65%	0.72%
Diversified Beta Fund	0.064%	0.00%	0.36%	0.42%
Diversified Global Ex UK Equity Fund	0.900%	0.30%	0.44%	1.64%
Diversified UK Equity Fund	0.240%	0.06%	0.58%	0.88%
Managed Fund	0.400%	0.88%	0.42%	1.70%
Multi-Strategy Fund	0.000%	0.43%	0.12%	0.55%
Pre-Retirement Fund	0.049%	0.01%	0.52%	0.58%
Shariah Fund	0.000%	0.02%	0.17%	0.19%
Active All Stock Fixed Interest Gilt Fund	0.173%	0.000%	0.65%	0.82%
Active Over Five-year Index-linked Gilt Fund	0.241%	0.00%	0.48%	0.72%
All Stock UK Corporate Bond Fund	0.269%	0.17%	0.55%	0.99%
Diversified Global Equity Fund	0.283%	0.13%	0.54%	0.95%
Schroders Active Global Equity Fund	0.138%	0.24%	0.68%	1.06%
2035 Retirement Age Fund	0.063%	0.00%	0.20%	0.26%
Active 50/50 Global Equity Fund	0.482%	0.29%	0.34%	1.11%
Active Global Equity Fund	0.483%	0.22%	0.34%	1.04%
Aggressive Fund	0.047%	0.00%	0.67%	0.72%
Balanced Fund	0.049%	0.000%	0.67%	0.72%
Long-dated Real Return Fund	0.201%	0.00%	0.32%	0.52%
Passive 50/50 Global Equity Fund	0.053%	0.00%	0.47%	0.52%
Passive Global Equity Fund	0.043%	0.00%	0.78%	0.82%
Property Fund	0.475%	0.38%	0.34%	1.20%
Retirement Builder	0.052%	0.01%	0.52%	0.58%
Cautious Fund	0.033%	0.002%	0.69%	0.72%
Multi-asset Fund	0.197%	0.10%	0.62%	0.92%
Passive 60/40 Global Equity Fund	0.049%	0.00%	0.52%	0.57%
L&G MSCI World SRI Index Fund Ethical Trust	0.300%	0.28%	-0.03%	0.55%
Passive Emerging Market Equity Fund	0.160%	0.00%	0.31%	0.47%
Passive Ethical Equity Fund	0.300%	0.002%	0.17%	0.47%
Passive Global Ex-UK Equity GBP Hedged Fund	0.090%	0.06%	0.18%	0.33%
Passive Global Real Estate Equity Fund	0.250%	0.15%	0.17%	0.57%
ex-Canada Life Scheme				
SF CL Equity	0.06%	0.60%	1.25%	1.91%
SF CL Gilt & Fixed Int	0.13%	0.10%	1.25%	1.48%
SF CL Money	0.00%	0.20%	1.25%	1.45%

SF CL International	0.08%	1.10%	1.25%	2.43%
SF CL iShares Idx Linked Gilt IDX	0.00%	0.00%	1.25%	1.25%
SF CL Managed	0.07%	0.60%	1.25%	1.92%
SF CL Property	0.00%	0.00%	1.25%	1.25%
SF CL SVM Continental Europe	0.98%	0.56%	1.00%	2.54%
SF CL SVM UK Opportunities	0.78%	0.78%	1.00%	2.56%
SF CL BlackRock Emerging Markets	0.91%	0.77%	1.00%	2.68%
SF CL UK Equity	0.42%	0.73%	1.00%	2.15%
SF CL European	0.47%	0.80%	1.00%	2.27%
SF CL Fixed Interest	0.24%	0.10%	1.00%	1.34%
SF CL Money	0.00%	0.20%	1.00%	1.20%
SF CL Managed (50% Shs)	0.35%	0.40%	1.00%	1.75%
SF CL Global Equity	0.42%	0.83%	1.00%	2.35%
SF CL BlackRock Special Situations	0.85%	1.23%	1.00%	3.08%
SF CL Multiple Investment	0.38%	0.60%	1.00%	1.98%
SF CL North American	0.45%	0.70%	1.00%	2.15%
SF CL Asia Pacific	0.51%	0.90%	1.00%	2.41%
SF CL UK Property	0.25%	0.00%	1.00%	1.25%

Explanatory Notes

Annual Management Charge (AMC)

The AMC is the Fund Manager's yearly management charge for each fund expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

Transaction Cost

The Fund Manager's Transaction Costs are explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund. We update the annualised fund transaction costs percentage quarterly based on information received from the fund managers and we have used the most recent percentage available to calculate the value above. These are not new costs, they have always been deducted from the funds as a necessary part of trading the fund's underlying investments and reflected within the unit price of the fund. We have included these as they affect the net investment performance of the fund and therefore the value of your pension pot.

Other Costs

Other Costs are other charges of fees deducted.

'No data available' means that we do not hold the data for the fund to include in the values above at this time.

APPENDIX G

The Independent members of the Scottish Friendly Assurance Society Governance Advisory Arrangement (SFGAA)

Andrew Firbank - Chair of the SFGAA

Andrew is an independent member of the GAA, being a representative member of PAN Trustees UK LLP. He is a qualified Actuary, an accredited Professional Pension Trustee and former FCA authorised investment adviser with nearly 30 years of pensions industry experience. He is conversant with all types of pension arrangements having worked for a leading Employee Benefit practice for more than 20 years prior to joining PAN, and now holding a number of senior pensions governance roles including acting as trustee to trust based arrangements for major UK and international companies.

Raymonde Nathan - Member of the SFGAA

Raymonde is qualified through the Pensions Management Institute (PMI) and an accredited Professional Pension Trustee. In the past he has been a member of the Society of Pension Professionals Defined Contribution subcommittee as well as being a TPAS adviser for over 25 years. He now sits on the PMI advisory Council and is a Scheme Strategist for a large DC Master Trust. Raymonde's employment has been primarily with a leading EB consultancy firm for the last 30 years.

Charles Goddard - Member of the SFGAA

Charles has worked in the Financial Services Industry for over 40 years specialising in pensions. His experience ranges from large to small pension plans. Within the industry he has been a member of TPAS, a member of the Pension Protection Fund Construction Committee, a member of Independent Pension Trustee Group of the Pensions Management Institute and a contributor to the Pensions Regulator's E Learning website. He is also an accredited Professional Pension Trustee.

Ian Neilson - Member of the SFGAA

Ian has over 30 years' experience in the Life and Pension industry and has responsibility for operational management of Scottish Friendly's business including Customer Service (outsourced and in-house) and the IT functions. Ian has been at Scottish Friendly for 11 years as a member of the Executive Management Team. He has previously been a technical business manager for Abbey National/Banco Santander's life and pension business with extensive experience of managing pension business, technical and regulatory change and reporting. Ian is a member of the ABI Long Standing Customer Committee and a Professional Member of the British Computer Society.

Kevin McNally - Member of the SFGAA

Kevin has 20 years' experience in the Life and Pension industry spanning Risk and Compliance and operational management including outsourced business. Kevin joined Scottish Friendly from Capita where he held a number of Compliance roles including most recently Risk and Compliance Manager for two major accounts. Kevin holds the Chartered Insurance Institute Certificate of Insurance.